



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information  
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Voluntary Report - public distribution

Date: **4/26/2006**

GAIN Report Number: **RH6005**

Zimbabwe

## Tobacco and Products

Voluntary Update

**2006**

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Report Highlights:

**Zimbabwean tobacco production is expected to decline to 55,000 MT in 2006 compared to the 75,000 MT produced in 2005. This decline is mainly due to the area planted declining from 55,000 ha. in 2005 to 46,000 ha. As a result exports are expected to decline to 55,000 MT, compared to the 64,000 MT that were exported in 2005.**

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Pretoria [SF1]  
[RH]

## Summary

Tobacco output is expected to decline to 55,000 MT in 2006 from 74,000 MT produced in 2005. Area under tobacco fell from 55,000 hectares in the 2004/5 season to approximately 46,000 hectares in the 2005/6 season. This decrease is due to various factors that include inadequate tillage, an acute shortage of essential crop inputs, and the high cost of producing the crop as well as late planting due to late disbursements of inputs. The persistent shortage of foreign currency facing the country caused the shortage of critical inputs.

Contractors financed and supported about 60% of the tobacco crop. Flue cured tobacco production is expected to reach 54,600 MT while burley production is expected to reach about 400 MT.

The dual system of marketing will be operating in 2006 for the third year running. While 40% of the national crop was sold through the contract system last year, it is anticipated that about 60% of the 2006 crop will be sold through the contract system. About 98% of the tobacco produced will be exported.

Exchange rate:

April 2006    US\$1.00 = Z\$99 201 (official rate)  
                  US\$1.00 = Z\$ 200 000 (parallel market rate)

## Unmanufactured tobacco

### PSD Table

Country	Zimbabwe					
Commodity	Tobacco, Total					
HA.	2004	Revised	2005	Estimate	2006	Forecast
MT.	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	01/2004		01/2005		01/2006	
Area Planted	48043	48043	0	55428	0	45915
Beginning Stocks	84992	84992	74147	77382	0	77548
Farm Sales Weight Prod	70022	70022	0	74793	0	55000
Dry Weight Production	62320	62320	0	66565	0	48950
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	21999	21999	0	14934	0	18000
TOTAL Imports	21999	21999	0	14934	0	18000
TOTAL SUPPLY	169311	169311	74147	158881	0	144498
Exports	69966	68961	0	64404	0	55000
Dom. Leaf Consumption	4100	1870	0	1995	0	2000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	21098	21098	0	14934	0	18000
TOTAL Dom. Consumption	25198	22968	0	16929	0	20000
TOTAL Disappearance	95164	91929	0	81333	0	75000
Ending Stocks	74147	77382	0	77548	0	69498
TOTAL DISTRIBUTION	169311	169311	0	158881	0	144498

### Production

The marketing year used throughout this report is the year in which the crop is sold. For example, MY 2006 refer to the crop planted in 2005 and sold during 2006.

	Area	Ha.		Production	MT	
	2003/4	2004/5	2005/6	2003/4	2004/5	2005/6
Flue-cured	47,400	55,000	45,000	69,518	74,460	54,600
Burley	643	428	915	504	333	400
TOTAL	48,043	55,428	45,915	70,022	74,793	55,000

Tobacco production for 2006 is estimated at 55,000 MT, a 26% drop from the 74,793 MT produced in 2004/5. Area under tobacco production dropped 17% to 46,000 hectares in the 2005/06 season compared to 55,000 in the previous season. Only about 8,000 hectares of this crop was irrigated because of the low dam levels in the aftermath of the dry 2004/5 season. The average yield at 1.2 MT/ha is slightly lower than 1.3 MT/ha for the 2004/05 crop.

The rainfall season started in December in most areas. Dam levels were generally low following the dry 2004/5 season. Incessant rains in some areas caused leaching of nutrients, affecting yield of the crop.

The decline in production has been caused by a number of factors, one of the most important being viability problems faced by tobacco growers. There was a mismatch between the exchange rates for outputs and that for inputs. The average exchange rate for sales in 2005 was around Z\$13 000 to US\$1 whereas growers purchased inputs for the 2005/6 crop at between Z\$26 000 to Z\$100 000 to US\$1. The impact of this mismatch was reduction in incomes and affordability of inputs for the 2005/6 crop.

Another problem was the late access to funding when small-scale growers accessed partial funding for inputs in December and January. A shortage of inputs such as fertilizer and fuel contributed to the decline in area planted and production. Although growers were entitled to access 15% of their US dollar tobacco proceeds for importing inputs for the 2005/6 crop, the majority of growers did not benefit from this facility due to a shortage of foreign currency.

Raising adequate financial resources for tobacco production was been one of the major challenges faced by growers. Cost of producing a hectare of tobacco crop in March 2006 was estimated at Z\$315 million for small-scale farmers and up to Z\$600 million for large-scale farmers.

Inexperience in tobacco production particularly by some newly resettled farmers and poor planning has also contributed to the decline of tobacco output and quality. Tobacco requires a long preparation period and high levels of technical skills.

## **Consumption**

Local consumption of tobacco accounts for only a small percentage of production.

## **Trade**

About 98% of the Zimbabwean tobacco output is exported. Tobacco is one of Zimbabwe's major foreign currency earners, accounting for a third of the country's earnings. However, the low crop volume expected this year would weaken the crop's contribution to export earnings. Tobacco export earnings have declined from US\$400 million during peak production in 2000 when 237,000 MT of tobacco was produced to US\$118 million for the 2004/5 crop.

Annual exports for 2005 closed at 64,404 MT, flue cured tobacco accounting for the bulk of the exports.

## Export Trade Matrix

Country	Zimbabwe		
Commodity	Tobacco, Unmfg., Total		
Time Period	Jan-Dec		MT
Exports for:	2004		2005
U.S.	0	U.S.	207
Others		Others	
UK	11043	UK	7572
Germany	6005	Germany	5137
Rest of EU	10890	France	2354
Far East	20784	Russia	4187
Rest of Europe	10816	Rest of EU	7174
Africa	6097	Rest of Europe	1819
Middle East	1871	Far East	20274
		Africa	10679
		Middle East	3442
		Oceania	1480
Total for	67506		64118
Others			
Others not Listed			79
624			
Grand Total	68961		64404

## Marketing

Following the introduction of contract growing and marketing three years ago, there is a dual marketing system for tobacco. Tobacco is either sold over a licensed auction floor or at approved contractors' warehouse under the supervision of the Tobacco Industry Marketing Board (TIMB), the body with the mandate of ensuring orderly marketing of tobacco. Approximately 60% of the 2005/06 crop will be sold directly to licensed contractors while 40% will be sold by auction.

Three auction floors Tobacco Sales Floor (TSF), Burley Marketing Zimbabwe (BMZ) and Zimbabwe Industry and Tobacco Auction Center (ZITAC) are licensed to operate auction sales. Their auction market rates in 2005 were 49.15%, 27.89% and 22.96% respectively.

The 2006 selling season commences on 25 April.

## Flue cured tobacco

PSD Table

Country	Zimbabwe					
Commodity	Flue Cured					
HA.	2004	Revised	2005	Estimate	2006	Forecast
MT.	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	01/2004		01/2005		01/2006	
Area Planted	0	47400	0	55000	0	45000
Beginning Stocks	0	83465	0	77506	0	80348
Farm Sales Weight Prod	0	69518	0	74460	0	54600
Dry Weight Production	0	61871	0	66270	0	48595
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	21999	0	14934	0	18000
TOTAL Imports	0	21999	0	14934	0	18000
TOTAL SUPPLY	0	167335	0	158710	0	146943
Exports	0	68961	0	63532	0	54500
Dom. Leaf Consumption	0	1770	0	1895	0	1900
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	19098	0	12935	0	16000
TOTAL Dom. Consumption	0	20868	0	14830	0	17900
TOTAL Disappearance	0	89829	0	78362	0	72400
Ending Stocks	0	77506	0	80348	0	74543
TOTAL DISTRIBUTION	0	167335	0	158710	0	146943

## Production

Flue cured tobacco production is expected to reach 54,600 MT. The area planted to flue cured tobacco declined to 45,000 hectares in the 2005/6 season compared to 55,000 hectares in the previous season. The irrigated area was 8,000 hectares and accounted for 14% of the total area under tobacco. Irrigated tobacco traditionally constituted 20% of the tobacco area planted and is higher yielding than the dry land crop.

An acute shortage of critical inputs such as fertilizer and fuel for tillage at the time of transplanting of the irrigated and dry land tobacco crop led to a decrease in area planted. The country is facing a severe shortage of foreign currency and was unable to make timely imports of critical inputs such as fuel, chemicals and raw materials for fertilizer production.

Late disbursements of funds to growers also resulted in a decline in area planted.

Contract growing played a major role in supporting production, supporting over 60% of the flue cured tobacco crop production in 2005/6 compared to 38.8% in 2004/5.

## Trade

Zimbabwe exports about 98% of the tobacco it produces. Zimbabwean flue cured tobacco is popular because of its special blending quality. Imports of tobacco are for blending and processing.

#### Export Trade Matrix

Country	Zimbabwe			
Commodity	Flue Cured			
Time Period	Jan-Dec	Units:	MT	
Exports for:	2004		2005	
U.S.	831	U.S.	194	
Others		Others		
UK	11043	UK	7282	
Germany	6005	South Africa	4762	
Rest of EU	10890	China	16042	
Far East	20784	Germany	5085	
Rest of Europe	10816	France	2354	
Africa	6097	Egypt	3320	
Middle East	1871	Indonesia	2839	
		Russia	4066	
		Rest of EU	6907	
		Rest of Europe	1818	
Total for Others	67506		54475	
Others not Listed	624		8863	
Grand Total	68961		63532	

#### Prices

The export prices were as follows:

## Prices Table

Country Zimbabwe

Commodity Flue Cured

Prices in US\$ per uom Kg.

Year	2004	2005	% Change
Jan	3.39	3.11	-8%
Feb	3.87	4.03	4%
Mar	3.23	3.44	7%
Apr	2.66	1.74	-35%
May	2.22	2.18	-2%
Jun	2.26	2.5	11%
Jul	2.73	2.32	-15%
Aug	3.03	2.65	-13%
Sep	2.73	3.34	22%
Oct	3.58	2.57	-28%
Nov	3.58	3.48	-3%
Dec	3.41	3.18	-7%

Exchange Rate 18,499

Date of Quote 12/31/2005

**Imports**

Due to the reduced domestic crop, merchants and processors are importing significant quantities of tobacco to utilize some of the idle capacity of their processing plants. Import permits for over 18,084 MT of flue-cured tobacco were granted during 2005 but only 14,934 MT had arrived in the country by 31 December. About 61% of the imports were from Zambia. Sizeable quantities were received from South Africa, Uganda and Malawi.



# Import Trade Matrix

Country	Zimbabwe		
Commodity	Flue Cured		
Time Period	Jan-Dec	Units:	MT
Imports for:	2004		2005
U.S.	0	U.S.	0
Others	Others		
South Africa	5577	South Africa	688
Mozambique	9744	Zambia	10766
Malawi	1141	Uganda	1544
Indonesia	2423	Malawi	725
China	993	Indonesia	228
India	961	Taiwan	201
Zambia	152	China	97
Madagascar	29	India	319
		DRC	130
Total for Others	21020		14698
Others not Listed	979		236
Grand Total	21999		14934

## Marketing

Contract sales are expected to account for 70% of the flue-cured tobacco sales this year and six contractors are expected to participate in buying the crop. In 2005 the contract system offered better average prices at US\$1.88 per kg compared to the US\$1.46 average at the auction floors.

## Burley Tobacco

### Production

The area planted to burley tobacco increased 113% to 915 hectares in 2005/6 season. Production is expected to reach 400 tons after 333 tons were produced in 2004/05. Good prices fetched by the crop in the previous season were an incentive (average price was US\$2.88). Small-scale farmers predominantly grow Burley tobacco in the drier parts of the country.

### Trade

Exports of burley were 872 MT in 2005. The major export destinations were Turkey, Denmark and South Africa.

Only 19.8 MT of burley were imported from Malawi in 2005.

### Prices

#### Prices Table

Country           Zimb.

Commodity

Prices in       US\$       per Kg.

Year	2004	2005
Jan	3.25	3.27
Feb	3.24	3.43
Mar	1.38	
Apr	2.34	2.88
May	1.38	3.12
Jun	1.56	3.04
Jul	1.58	3.62
Aug	3.04	2.62
Sep	2.75	1.77
Oct	2.63	
Nov		2.07
Dec	3.18	3.03

Exchange Rate   9 417

Date of Quote   12/31/05

The 2005 average price of burley was US\$2.88/kg compared to US\$2.43 in the previous selling season.